

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 2174 - SB 2716

March 10, 2020

SUMMARY OF BILL: Exempts from the sales and use tax, all tangible personal property sold by 501(c)(3) or 170(c) organizations for “fundraising purposes”.

ESTIMATED FISCAL IMPACT:

On February 22, 2020 a fiscal note was issued for this legislation estimating a fiscal impact as follows:

Decrease State Revenue – Up to \$26,994,600 /FY20-21 and Subsequent Years

Decrease Local Revenue – Up to \$9,171,700 /FY20-21 and Subsequent Years

Based on new information received about the Department of Revenue’s classification of nonprofits, the estimated fiscal impact has been corrected as follows:

(CORRECTED)

Decrease State Revenue – Up to \$21,055,700/FY20-21 and Subsequent Years

Decrease Local Revenue – Up to \$7,153,900/FY20-21 and Subsequent Years

Corrected Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-102(8)(B), occasional and isolated sales or transactions are not considered business if the sales are made during no more than two sales periods per year that do not exceed 30 days each.
- Pursuant to Tenn. Code Ann. § 67-6-348(a), 501(c)(3) organizations are also exempt from paying sales and use tax on the sale of used clothes.
- According to the Department of Revenue (DOR), an average of 17,122 sales and use tax returns, with an average of \$26,994,550 in state revenue and \$9,171,682 in local revenue, were filed by all non-profit organizations in FY17-18 and FY18-19.
- Based on information from Nonprofit Quarterly, it is estimated that 501(c)(3) organizations make up approximately 78 percent of all nonprofit organizations.
- The term “fundraising purposes” is not defined in the proposed legislation or the provisions governing sales and use taxes. It is assumed that sales and use tax collections

from “fundraising purposes” would include up to the entire amount of sales and use tax generated by the non-profit organizations.

- It is therefore estimated that the recurring decrease in state revenue, as a direct result of the proposed legislation would be up to \$21,055,749 (\$26,994,550 x 78%).
- The recurring decrease in local revenue, as a direct result of the proposed legislation would be up to \$7,153,912 (\$9,171,682 x 78%).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/abw